Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE
104th General Assembly

BILL NO: **SB 1925** March 7, 2025

SPONSOR: Halpin

SYSTEM: Illinois Municipal Retirement Fund (IMRF)

FISCAL IMPACT

SB 1925 extends the repayment period for municipal contributions to IMRF for excess final rate of earnings (FRE) from three years to seven years. This change allows municipalities to defer payments over a longer period. However, it may reduce IMRF's cash inflows and affect investment allocation. It is unclear to what extent interest on deferred payments will offset the impact. A longer repayment timeline also has the potential to increase administrative complexities, although IMRF has not as yet indicated whether this would require operational or policy adjustments.

SUBJECT MATTER: SB 1925 amends the IMRF article of the Illinois Pension Code to give IMRF employers 7 years instead of 3 to pay the full cost of "accelerated payments" for a retired IMRF member. *Accelerated payments refer to the portion of a member's Final Rate of Earnings (FRE) that exceeds 6% or 1.5 times the Consumer Price Index-U increase (whichever is greater) within their FRE period.*

COMMENT: Under current law, IMRF employers are required to compensate IMRF for any salary increase over 6% or 1.5 times the Consumer Price Index-U as of the previous September (whichever is greater) during an employee's Final Rate of Earnings (FRE) period. Such an increase is referred to as an "accelerated payment" and applies to any such increase on or after the enactment of P.A. 97-0609, effective January 1st 2012, and to members retiring on or after February 1, 2012. The FRE period differs based upon an employee's Tier, and is explained in the chart below.

Tier	Final Rate of Earnings (FRE) Period
Tier 1	The highest total Earnings during any 48 consecutive months within the last 10 years of IMRF service.
Tier 2	The highest total earnings during any 96 consecutive months within the last 10 years of IMRF service.

Once an accelerated payment at or over $5,000 is detected, IMRF shall send an "accelerated payment invoice" to the pertinent employer. The employer may compensate IMRF with a lump sum payment within 90 days of the invoice, after which they will be charged interest starting on the 91st day at the rate of the fund's actuarially assumed rate of return until they have paid the full amount. The employer must fully compensate IMRF within 3 years of receiving the invoice. Accelerated payments less than $5,000 are factored into an employer's annual IMRF contribution rate instead.

SB 1925 amends the IMRF article of the Illinois pension code to give IMRF employers 7 instead of 3 years to fully compensate IMRF for accelerated payments. Interest will accrue starting on the 91st day until IMRF is fully compensated within the new 7-year deadline.

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